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JAMES H. McKENNEY

Brief of Choate & Briesen for Pet

Supreme Court of the United States.

October Term, 1898.

Filed Feb. 17, 1899.

EMILIE SAXLEHNER, *Petitioner,*

vs.

EISNER & MENDELSON CO. 712

SAME

vs.

SIEGEL-COOPER CO. 713

SAME

vs.

RUDOLPH GIES. 714

SAME

vs.

LOUIS MARQUET. 715

SAME

vs.

ALEXANDER NIELSEN. 716

BRIEF FOR PETITIONER ON APPLICATION FOR WRIT OF CERTIORARI.

JOSEPH H. CHOATE,
ARTHUR v. BRIESEN,
ANTONIO KNAUTH,
Attorneys and Counsel for Petitioner.

NEW YORK:
THE EVENING POST JOB PRINTING HOUSE, 156 FULTON STREET.
(EVENING POST BUILDING.)

1899.

Supreme Court of the United States,

OCTOBER TERM, 1898.

EMILIE SAXLEHNER, Petitioner, *In re* petition for a Writ of *Certiorari* requiring the Circuit Court of Appeals in and for the Second Circuit to certify to the Supreme Court for review and determination the case of

EMILIE SAXLEHNER,
Complainant-Appellant,

vs.

EISNER & MENDELSON COMPANY,
Defendant-Appellant.

SAME

vs.

SIEGEL-COOPER COMPANY.

SAME

vs.

RUDOLPH GIES.

SAME

vs.

LOUIS MARQUET.

SAME

vs.

ALEXANDER NIELSEN.

BRIEF ON BEHALF OF PETITIONER.

The above five cases all involved substantially the same questions, namely, petitioner's right to the name "Hunyadi" as a trade-mark for Hungarian bitter waters, and her exclusive right to the red and blue label and its characteristic features, used on petitioner's well-known Hunyadi Janos Water. The first and the last of these cases, those against the Eisner & Mendelson Company and against Alexander Nielsen, were brought against importers of competing bitter waters, while the other cases were brought against retailers of the same waters. By stipulation the testimony in the first four cases was combined in one record, while the fifth case against Alexander Nielsen has a separate record of evidence.

The decision of these cases involves very large pecuniary interests, because on it hinges the maintenance or destruction of complainant's entire business in the United States, which has been built up by her and her deceased husband, Andreas Saxlehner, through a period of more than thirty years. Saxlehner's Hunyadi Janos Water, whose yearly

output is about six million bottles, has become such a well-known commodity that no further statement concerning the money interests involved in these suits will be necessary. This, however, is not the only ground upon which we ask this Honorable Court for a revision of the judgment of the Circuit Court of Appeals. That judgment, which denies to complainant all relief against fraudulent imitation of her label and trade name, not only delivers her business over to the hands of unscrupulous competitors, but also deprives the public of that protection against imposition to which the public is entitled. It sanctions the perpetration and continuation of a pronounced fraud. It, in effect, licenses everybody who wants to reap an unjust gain by a fraudulent imitation of the well-known dress and popular name of the Hunyadi Janos Water in this country to do so, and invites all unscrupulous persons to take advantage of the situation.

We submit that this decision, which was rendered by two Justices of the Court, the third being disqualified, having adjudged the cases below, is opposed to the familiar doctrine of equity, that laches of the owner of a trade-mark in seeking relief are no defense to the issue of an injunction forbidding the further perpetration of a fraud upon the public and upon the complainant; that it is opposed to the law and to the undisputed facts of the case and is so manifestly against the established rules of equity that it should be reversed.

The Facts.

The facts relating to this controversy are carefully stated in the opinion of Judge Shipman who decided all these cases at the Circuit Court. The Circuit Court of Appeals refrained from reciting the facts again, accepting the condensed statement contained in Judge Shipman's opinion as a correct exposition of the facts. We will refer to only one of

them which seems to us to deprive the reasoning of the Circuit Court of Appeals of its logical basis. Ever since the Hunyadi Janos water was introduced into the United States, it had obtained among the public the short name of "Hunyadi water," and there being no other water for sale using the name Hunyadi than the Hunyadi Janos water of Saxlehner, the two names became identical. This is still the case, as evidenced by the uncontradicted testimony of fifteen physicians in the case, and Judge Shipman, therefore finds that Hunyadi water still means Hunyadi Janos water and that the sellers of other competing waters "could not call their water 'Hunyadi'," although by force of the circumstances related by him, he was of opinion that they could use the word Hunyadi as a prefix to some other name. The Circuit Court did not and could not from the evidence find that the name "Hunyadi" or "Hunyadi water," had changed its original meaning into a generic name for Hungarian bitter waters generally. The evidence is entirely clear and uncontradicted that during the time while the competitors of complainant have by means of fraudulent names and labels sought to reap the benefits and emoluments of her trade, other Hungarian bitter waters have all the time been imported and sold here under their own names and labels, not employing the name "Hunyadi" nor any of the characteristic features of complainant's label. These other bitter waters were not called "Hunyadi water" by the public, but each was called by its own name. That fact alone would dispose of the claim, were it made, that the name Hunyadi had become generic for imported Hungarian bitter waters. Again, the testimony has entirely dispelled the notion assiduously brought forward by the defendants that there was a certain group of so-called Hunyadi springs at or near Budapest, because it has shown that some of these imitating waters came from far away places in Hungary, and that the principal water in question, the Hunyadi Matyas

water imported by the Eisner & Mendelson Company, did not come from any spring called Hunyadi, but from a spring called "Deak," and that the name Hunyadi Matyas for that water had been adopted by the Eisner & Mendelson Company only and solely for the purpose of committing a fraud. This is distinctly found among the facts stated by Judge Shipman. The only reason which the witnesses for the defendants, such as wholesale dealers and druggists, give for *their* calling the infringing waters Hunyadi water, is that the name Hunyadi appeared on the label. The use of the name "Hunyadi" as a prefix to some other name like "Matyas," "Laszlo," "Lajos," &c., therefore, was only suggested by the fact that the water could now be palmed off upon the public of the United States as the well-known "Hunyadi water," the public not noticing the difference in the surnames or the slight difference in the coloring or arrangement of the red and blue labels used. Of the fraudulent character of all the imitations there can be no doubt, because every one who adopted an imitation of the name Hunyadi Janos also adopted an imitation of Saxlehner's *red and blue* label, and furthermore, when the same waters were sold in Hungary they were invariably sold under an imitation of Saxlehner's *red and white* label used in Hungary. Some pretense has been made that the Hunyadi Matyas Water of the Eisner & Mendelson Company was considerably advertised, but defendant's own record shows that the Hunyadi Lajos Water, which was not advertised at all, was sold in the same large quantities as the advertised Hunyadi Matyas Water. They were sold, not as Matyas nor as Lajos Water, but as "Hunyadi" Water, and the effrontery of the principal defendant went so far as to advertise the Hunyadi Matyas Water as the "*original* Hunyadi Water."

All these infringing waters were sold at a price much lower than that of complainant, and the situation is such that complainant cannot compete in

price with the imitation waters and at the same time maintain the standard quality and reputation of her Hunyadi Janos Water. If she cannot find protection in the courts of this country against such palpable fraud and injury, she will have to leave the market of this country to the unscrupulous imitators of her name and label and confine her efforts to the rest of the world, where her rights are recognized and respected. She cannot hope to supplant the name Hunyadi as the name of her water by another name, nor is it to be expected that the public will ever give up demanding "Hunyadi" and lay stress on the "Janos," which for nearly thirty years past has been slighted as unimportant.

The error of the Circuit Court.

The Judge deciding the case at the Circuit Court fell into an unfortunate error of law. The Circuit Court found itself "obliged to hold" that by certain assertions and positive action of complainant's vendee, the Apollinaris Company, complainant had abandoned her right to the name Hunyadi, and that after the year 1888, it was impossible for her to claim its exclusive use in this country. The Circuit Court held, however, that these positive assertions did not cover the label. It set forth in its opinion the reasons which excused Andreas Saxlehner and the complainant from bringing suit at an earlier time in this country, which consisted mainly in the unsatisfactory condition of the law in Hungary, and found that as soon as she was in a position so to do, complainant had energetically used every effort at her command to obtain redress, first in Hungary, and then in England and in this country. Consequently it held that complainant was not chargeable with laches and granted an injunction upon the label and an account for damages and profits, but refused an injunction on the name Hunyadi on the ground of abandonment of the name. We submit that this

refusal was erroneous. The Circuit Court also committed an apparent error in its decision by holding that the fraudulent red and blue Hunyadi Matyas label was sufficiently distinguished from complainant's label when a small "Seal Brand" label was attached to it and excepted this from the injunction and account. This error seemed to be the more inexplicable as all the instances of palming off the Hunyadi Matyas water as Hunyadi Janos water, shown by the evidence, occurred after the "Seal Brand" label was invariably added to the Hunyadi Matyas label.

The error of the Circuit Court of Appeals.

On appeal to the Circuit Court of Appeals it was completely shown that Judge Shipman's opinion that the name Hunyadi had been abandoned on behalf of complainant by the positive assertions of the Apollinaris Company was untenable. The Apollinaris Company had neither authority to abandon, nor had Saxlehner any knowledge of what the company did, and consequently the Circuit Court of Appeals disapproved that reasoning and held that there was no abandonment by positive assertions. The Circuit Court of Appeals also expressed, at the argument, its disapproval of the position taken by Judge Shipman upon the "Seal Brand" label and cut short any further argument on the same with the statement that in its opinion this Seal Brand label would not exempt the red and blue Hunyadi Matyas label from the charge of infringement. But the Circuit Court of Appeals have fallen into a graver error than the Circuit Court by holding that complainant and her predecessor in business were guilty of such laches with reference to the name Hunyadi and the red and blue label that complainant has lost all right to complain about the same and dismissing the several bills brought by her *in toto*, with costs.

Complainant was not guilty of laches.

We will not reiterate the facts found by the Circuit Court on this point, but simply call attention to the fact that previous to 1890 Saxlehner's right to the name "Hunyadi" in this country as an exclusive trade-mark for bitter waters was embarrassed and brought in question by the fact that the owners of other springs in Hungary could not be restrained there from calling their springs by names employing Hunyadi as a part, and that this was used as a pretext by imitators in this country to impair Saxlehner's chances of success here. It would, in our opinion, have been a sufficient excuse for inaction on his part if in this situation he had decided to resort first to the courts of Hungary to establish his right, as there was plausibility in the contention that if the waters of a certain spring could be called Hunyadi Matyas in Hungary, they could be called Hunyadi Matyas in this country. This defense received color of authority partly by the unsatisfactory condition of the Hungarian law, and also particularly by the Treaty between Austro-Hungary and the United States of America of June 1, 1872. By this Treaty it was provided that if a trade-mark was abandoned in the home country, it should be considered abandoned in the country of the other contracting party, and the inference was claimed to follow that if there was no trade-mark in the home country recognized in the word or label used, no such trade-mark should be recognized in the other country. Saxlehner, however, repeatedly tried to get relief in Hungary, but failed before 1890.

Nor can Saxlehner be charged with laches in not proceeding against the red and blue Hunyadi Arpad label, which had come into this country in 1886, and was stopped by injunction at the suit of the Apollinaris Company until 1888. If Saxlehner had brought suit or authorized a suit with a view to obtain an injunction against the *label* merely, he would undoubtedly have been held to have thereby

abandoned any exclusive claim to the name Hunyadi. The name and the label were always associated together, and the danger which attended one of them was a sufficient reason not to commence a suit upon the other alone.

In 1890 complainant obtained relief upon the label by a trade mark statute in Hungary, and in 1895 for the first time also upon the name "Hunyadi." She instituted a number of litigations in 1891 which were waged through the years 1891, 1892, 1893, 1894, 1895 and 1896, ending with her final victory in Hungary in October, 1896. *These litigations were directed against the very persons who furnished the imitating waters to the defendants*, and the evidence shows that the principal importers had early knowledge of these suits in Hungary.

Hence, that which is prohibited to defendants in Hungary is legalized in the United States by the decisions below as to labels which are applied to the infringing waters in the United States only, and when the Circuit Court of Appeals says in effect that she slept upon her rights for nine years, it ignores these five years of vigorous contest.

To charge complainant with laches in not instituting suit in this country at an earlier time would invoke a new rule of law which has hitherto not been applied by the courts. No one has ever been required by courts of equity to litigate rights which were so embarrassed by the conflicting state of law in the two countries, or where the litigant's position was such that he was not fully advised upon the situation, or there were sufficient reasons to excuse his inactivity. In the present case, instead of inactivity, complainant has displayed an unusual amount of energy in asserting her rights, and the same is true of her predecessor, Andreas Saxlehner. If they were not successful in Hungary earlier it was not their fault, but the fault of the Hungarian laws. Moreover, as to these defendants, who claim under Mattoni & Wille, it is clear that there were no

laches whatever, for while they only began to infringe here in 1890, she was as early as the summer of 1891 pursuing their principals by suit in Hungary, and as to the defendant Alexander Nielsen, a suit against his principal in Hungary was instituted before the time that he commenced to sell the "Hunyady Lajos" water in this country under a red and blue label simulating Saxlehner's.

We also submit that complainant had a right to seek the support of her claims given to Austro-Hungarian subjects in the United States under the Treaty with this country. All necessary steps were taken by Saxlehner in this direction by registering his trademark "Hunyadi" in connection with his red and blue label in the Patent Office of the United States in the year 1887, and registering the same label (because the name alone could not then be registered) in the Chamber of Commerce and Industry of Budapest. Such registration was made by him on December 30, 1884, and the red and blue label was re-registered in Budapest on July 14, 1890, (see Complainant's Exhibit No. 23, Label and Transfer Certificate). Such protection, however, could not accrue to complainant on the name "Hunyadi" until August, 1895, when the Hungarian statute for the first time allowed complainant to register that name independent of any pictorial design as a trademark in Hungary, which was then done. Far from showing any inactivity on the part of complainant, the evidence shows a continued struggle for recognition of her rights under the most adverse circumstances, and a charge of laches is, as we respectfully submit, entirely against the proofs and the facts in the case and sufficiently disproven by the statements contained in Judge Shipman's opinion.

The Circuit Court of Appeals rested its decision solely upon the supposed authority of the case of *Menendez* vs. *Holt*, 128 *U. S.*, 514. We do not understand that this decision has changed the law upon the subject as laid down by previous decisions

of the Supreme Court, and notably in the case of *McLean* vs. *Fleming*, 96 *U. S.*, 245. The total loss or forfeiture of trade-mark rights once obtained can, in our opinion, under these cases, not be produced by laches or negligence of the owner, even where they exist, unless the owner allows the word or sign to fall into public domain, that is, if he allows it to become part of the language of the country, as a descriptive term which never happened in this case. The Court will find that the dealers called only those waters "Hunyadi" waters which had the name "Hunyadi" rightfully or wrongfully on the label, and when the witness Scherer added the name Hunyadi to his unsalable Æsculap water and changed the label to a red and blue label making it salable thereby, he added one more "Hunyadi" water to his stock of such counterfeit waters. This simply proves fraud on a large scale, but does not prove that the name Hunyadi has become descriptive or generic. The same is true of the label. The sales of the imitation waters have undoubtedly been large, but the red and blue label has not become descriptive of any water, or any class of waters, or kind of waters, other than the plaintiff's own water, because other honest Hungarian waters are sold here under other names and labels, not employing the term, "Hunyadi." The Circuit Court therefore did not find that the name or label had become descriptive and lost their original meaning, but concluded that the complainant was bound in law by certain assertions of its consignee.

There is no feature of estoppel in the case. None of the parties who have infringed upon complainant's rights have done so innocently, but every name and every label has been adopted by them with fraudulent purposes.

The Circuit Court of Appeals held Saxlehner bound, not by the positive assertions of the Apollinaris Company, but because he "is chargeable with their failure to act, as much as with his own, and

must be held to have abandoned all exclusive claim to the use in the United States either of the trade name or the label." In the short opinion delivered upon the motion for a rehearing, the Court again emphasized that in its opinion Saxlehner's rights were lost by his laches.

That such laches cannot work an abandonment of the right, unless they have created a right in the defendant; that the act of abandonment involves an intention to abandon; that acquiescence by silence can be revoked and is then no bar to the issue of an injunction, is well established by the very case of *Menendez* vs. *Holt*, cited by the Circuit Court of Appeals. In this case the Supreme Court used the following language:

> "*The intentional use of another's trade-mark is a fraud; and when the excuse is that the owner permitted such use, that excuse is disposed of by affirmative action to put a stop to it. Persistence, then, in the use is not innocent; and the wrong is a continuing one, demanding restraint by judicial interposition when properly invoked. Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right unless it has been continued so long and under such circumstances as to defeat the right itself. Hence, upon an application to stay waste, relief will not be refused on the ground that as the defendant had been allowed to cut down half of the trees upon the complainant's land, he had acquired by that negligence the right to cut down the remainder* (*Attorney-General* v. *Eastlake*, 11 *Hare*, 205); *nor will the issue of an injunction against the infringement of a trade-mark be denied on the ground that mere procrastination in seeking redress for depredations had deprived the true proprietor of his legal right* (*Fullwood* v. *Fullwood*, 9 *Ch. Div.*, 176). *Acquiescence to avail must be such as to create a new right in the defendant* (*Rodgers* v. *Nowill*, 3 *DeG., M. & G.*, 614). *Where consent by the owner to the use of his trade-mark by another is to be inferred from his knowledge and*

silence merely, 'it lasts no longer than the silence from which it springs; it is, in reality, no more than a revocable license' (Duer, J. Amoskeag Mfg. Co. v. *Spear, 2 Sandford (N. Y.), 599; Julian* v. *Hoosier Drill Co., 78 Indiana, 408; Taylor* v. *Carpenter, 3 Story 458; 8. C.. 2 Woodb. & Min., 1).*

"So far as the act complained of is completed, acquiescence may defeat the remedy on the principle applicable when action is taken on the strength of encouragement to do it, but so far as the act is in progress and lies in the future, the right to the intervention of equity is not generally lost by previous delay, in respect to which the elements of estoppel could rarely arise."

Again, in the case of *McLean* vs. *Fleming*, 96 U. S., 245, 257, this Court, through Clifford, *J.*, stated:

"It sufficiently appears that the respondent has been engaged in preparing and selling his pills for more than forty years; that during that period, or more than half of it, he has been using labels and trade-marks corresponding more or less to those used by the predecessors of the complainant, some of whom, during all or most of that time, knew what the labels and trade-marks were which were used by the defendant, the evidence to that effect being full and decisive.

"Negotiations took place at one time between the respondent and one of the predecessors of the complainant for an interchange of commodities, with a view that both commodities might be sold at each of their respective places of business.

"Evidence of a decisive character is exhibited in the record to show that the complainant or his predecessor knew throughout what descriptions of labels and trade-marks the respondent was using, and it does not appear that any objection was ever made, except as heretofore stated and explained. Once the respondent was requested to insert the initials of his Christian name before his sur-name in the label, and it appears that he immediately complied with the request.

* * *

> "*Acquiescence of long standing is proved in this case, and inexcusable laches in seeking redress, which show beyond all doubt that the complainant was not entitled to an account nor to a decree for gains or profits; but infringement having been proven showing that the injunction was properly ordered, he is entitled to the costs in the Circuit Court, but the decree for an account and for the supposed gains and profits being erroneous, the respondent, as appellant, is entitled to costs in this Court.*"

In the recent case decided by this Court of the *Singer Manfg. Co.* vs. *The June Manufg. Co.*, 163 *U. S.*, 169, 186, the Supreme Court stated with approval a passage from De Marafy in his International Dictionary of Industrial Property, as follows:

> "*Abandonment in industrial property is an*
> "*act by which the public domain originally*
> "*enters or re-enters into the possession of the*
> "*thing (commercial name, mark or sign), by*
> "*the will of the legitimate owner. The essen-*
> "*tial condition to constitute abandonment is,*
> "*that the one having a riyht should consent*
> "*to the disposition. Outside of this there*
> "*can be no dedication of the right, because*
> "*there cannot be abandonment in the juridical*
> "*sense of the word.*"

In the comment upon this passage, this Court reasserted the equitable doctrine that even if the word had become public property by abandonment, it could be used by a defendant only in such manner as not to impose upon the public by making purchasers believe that they obtained the article of the original owner of the trade-mark. The present cases teem with evidence of such deception.

What right have the defendants obtained to the use of a label simulating Saxlehner's and to the name of a water which is not the name of the spring from which it comes? What interest or right has the public obtained by the long existence of the infringements to demand that such imposition should

continue? Is there any vested right impaired or any capital honestly invested endangered by issuing an injunction against the fraudulent use of the competing names and labels? Can any defendant ever acquire the right to impose upon his customers by the use of a fraudulent name and label? The answer to these questions is manifest and we submit that every consideration of justice, the maintenance of public morality in trade and the protection of an unsuspecting public against imposition demand that the decree of the Circuit Court of Appeals be reversed and justice be done to the complainant in this country.

Respectfully submitted,

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